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From the Chairman's Office

2 September 2003

David Griffiths
Secretary
Co-operative Federation of Victoria Ltd
71 Franciscan Ave
Frankston VIC 3199

Dear Mr Griffiths

Thank you for your feedback on our paper on *Social Capital: Reviewing the Concept and its Policy Implications*, and for the additional information on co-operatives, that you provided in your letter of 21 August.

As you pointed out, we did not specifically discuss co-operatives in the paper. Nor did we assess either the extent to which co-operatives embody or generate social capital or the merits of co-operatives relative to other organisational forms. Rather, we used generic terms such as 'community groups' and 'organisations' in the paper to cover a range of entities, including co-operatives. This is partly because social capital and cooperation can arise within many forms of organisations — including for-profit firms and government bodies as well as not-for-profit entities. Further, as we indicated in the paper, the paper did not attempt to assess the merits of specific policy proposals (or specific entities) for creating or utilising social capital.

I was concerned that you thought that our analysis of the complexities of assessing social capital policies was muddled because it 'ignores the history of dialogue between co-operatives as an organised form of capital and government.'

While we did not discuss that dialogue, I have re-read the section and believe that the points made, while of a general nature, are fair and well-reasoned. The discussion does not say that it is impossible for governments to create or support social capital, whether it be through supporting co-operatives or through other means. What it does do is highlight the difficulties of determining appropriate policies in this area at present, particularly given the current state of knowledge on social capital, its sources and its effects.

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It may be that government support for certain types of co-operatives are one mechanism that could help either to create new social capital or to harness existing social capital to help meet other goals. In line with its stated scope, the paper does not form judgements on these matters but instead sets out a number of considerations that a policy analyst ought to consider when assessing the merits of such support.

I should also point out that, as indicated in the introduction to the paper, it was not our goal to assess the level of social capital in Australia. Had we sought to do so, I expect that we would indeed have examined the range and activities of formal co-operatives, along with other voluntary and community groups in Australia.

That said, with the benefit of your comments, I agree that it could have enhanced the paper to have included more explicit acknowledgement of co-operatives and mutual aid societies in the paper. We will bear this in mind in any future research we conduct.

Yours faithfully

Gary Banks
Chairman